

Nationalist China

Delete paragraphs 2 through 4 inclusive and substitute the following:

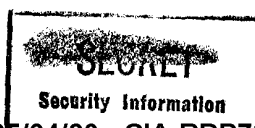
The Chinese Nationalists will certainly maintain their armed forces and if given the requisite support would substantially expand their trained reserves. Their attitude on the employment of their forces, however, is problematical.

Nationalist officials are acutely aware of the limited manpower and equipment of their own forces, the imposing size of the Chinese Communist forces and the U.S. reluctance to provide all-out support of the Nationalist forces as well as the mainland aspirations of the Nationalist government. Consequently, they estimate that mainland conditions favorable to their return plus the requisite degree of U.S. support and assistance can be realized only in the event of World War III or at the very least in the event of an extension of present U.N. hostilities to mainland China.

Nationalist ruling circles very probably regard developments in the Far East and in the United States as definitely improving their chances of returning to the mainland. The outbreak of Korean hostilities, the U.S. decision to rearm and retain the Nationalist armed forces and the emphasis in the recent U.S. election on a more positive, dynamic policy in the Far East have bolstered the Nationalists' hopes and have improved their political and military posture. While the Nationalists hope that a new U.S.-Far Eastern policy will hasten the day of their return to China, there are indications that their top planners estimate that it will take five years of preparations for the counterattack and an additional five years to extend Nationalist control over most of China.

Past statements by leading Nationalist officials have indicated that Nationalist hopes were predicated on the outbreak of World War III. Such

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pronouncements caused considerable adverse reaction in foreign capitals and resulted in a concerted effort on the part of the Nationalist government to allay the ensuing apprehension by emphasizing that such a contingency would not necessarily further Nationalist aspirations and that the Nationalists' salvation must be won through their own achievements rather than relying on a world catastrophe.

The Nationalist government has instituted on Formosa economic projects of long-term significance. In addition it has attempted to obtain increased loyalty and support from overseas Chinese groups. These projects are designed to allay criticism of past Nationalist practices on the mainland, to demonstrate the viability of Nationalist planning, to win mainland and international support and thus to improve their overall prospects for returning to the mainland.

Fundamentally, the Nationalists desire to conserve their forces for the accomplishment of their ultimate objective -- return to the mainland of China. Any UN request for the commitment of their forces to other areas is regarded by the Nationalists as a dissipation of their forces and would be considered only under conditions which would be calculated to advance the accomplishment of their ultimate objective.

As the Nationalists military posture improves and dependent on the Nationalist estimate of their prospects of gaining the requisite US aid and support without the participation of their troops in Korea, the Nationalists' reluctance to release troops for use in Korea may increase. Should a UN request for the use of their troops in Korea be received, however, the Nationalists would use the occasion as an opportunity for bargaining in terms of their short-range and possibly their long-range objectives. Insofar as possible the commitments sought would be phrased in terms of the defensive needs of Formosa.

The Nationalist government is very firmly opposed to any use of its forces in Southeast Asia.

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